

increased the demand upon it, was the issue of notes by several of the safety fund banks in excess of the maximum allowed by law. This defect was remedied in 1843 by an act providing for the issue of notes registered and countersigned by the Comptroller and the surrender of the plates with which the banks were then printing their notes. A mistake was made also in basing the contributions of the banks to the safety fund upon their capital rather than upon their outstanding circulation. But the arrest of the expansion of the system, the over-issue of notes in violation of law, and the distribution of the assessment in proportion to capital, would not have prevented the success of the safety fund system if the fund had been maintained exclusively for the redemption of circulating notes. The fund would have amply secured the notes of the New York banks and ensured their prompt redemption at par, even without the reduplicated security afforded by the constitution of 1846, which made the notes a first lien on the assets and made stockholders liable, to the amount of their stock > for the debts of a failed bank contracted after January 1, 1850. A careful estimate shows that the annual assessment required on the average from 1829 to 1865 to keep the fund good and redeem every dollar of the circulation of suspended banks would have been less than one-fourth of one per cent, of the banking capital, or about three-eighths of one per cent. on the average outstanding circulation.<sup>1</sup>

Bank charters continued to be granted in New York by special acts and to be subject to political favor after the adoption of the safety fund plan and up to 1838. A campaign for free banking, — in the sense of equal right to all persons complying with fixed conditions, — was waged by

*New York Bank Currency, " Sound Currency/'* Vol. II., No. 5, p. 15. Millard Fillmore, who was Comptroller of the State in 1848, showed that up to that time, covering the period of the most numerous failures, the contributions to the safety fund had been \$1,876,063 and the outstanding circulation of the failed banks \$1,548,558, leaving a surplus of \$327,505, if the fund had been used simply to guarantee circulation.